

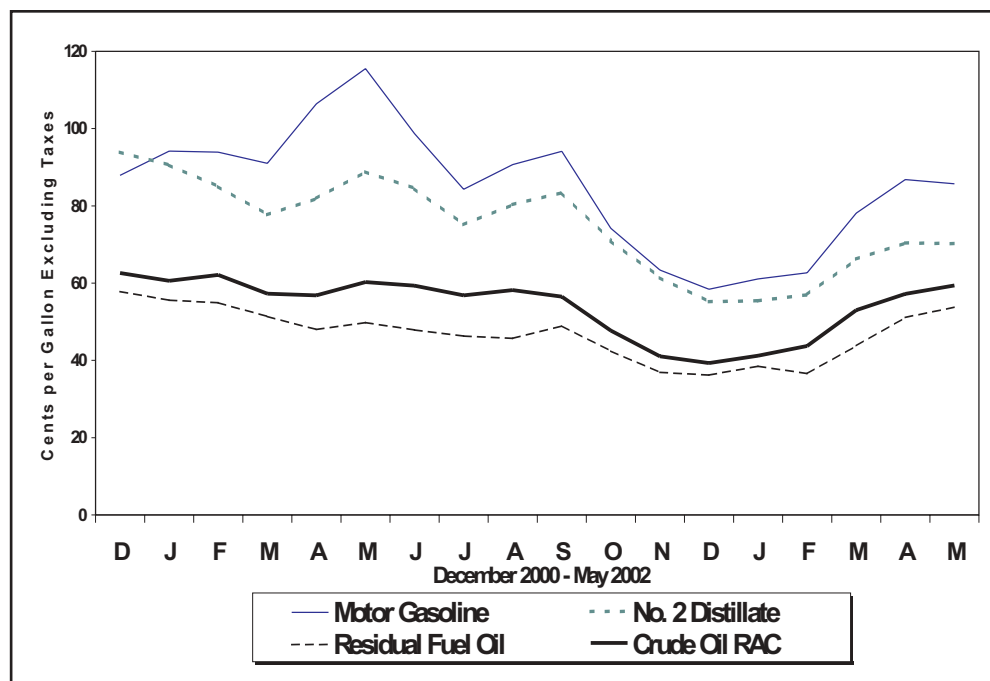
Highlights

World crude oil prices continued to rise during the first few weeks of May, but as pressure from various political issues and market fundamentals began to wane during the latter part of the month, prices receded from their recent high levels. Many believe the “war premium” on oil prices, which has added several dollars to the fundamental value of crude oil during the past few months, cannot be supported by current world events and market conditions. Previous speculation that the United States was planning a military attack on Iraq faded to the point where market watchers believe if there is a U.S. invasion of Iraq, it would not occur before next year. Additionally, the 30-day suspension of crude oil exports from Iraq in response to the ongoing Israeli-Palestinian conflict failed to have a significant impact on oil prices. The embargo was lifted on May 8 when deliveries to export terminals resumed. Additionally, oil exports are anticipated to rise in the near future as the current Organization of Petroleum Exporting Countries (OPEC)-sponsored production cuts agreement ends in June. More specifically, comments from Russian officials indicate that exports will officially return to pre-agreement levels as long as prices remain above \$20.00 per barrel following the expiration of accord. Norway has also indicated it will revert to its normal rate of production after June.

In the United States, May price trends for crude oil and other petroleum products were affected by slim refining margins, stock level trends, and changing assessments of geopolitical events. Prices for crude oil have dominated market trends during the past few months and they continued to do so during May.

During the initial weeks of the month, prices were on the upswing as preliminary data showed decreasing stocks of crude oil. However, refined product prices—particularly gasoline prices—did not rise to the same degree and refining margins declined substantially as a result. Despite robust demand for gasoline (the summer “driving season” began at the end of month during the Memorial Day weekend), stockpiles remained at very comfortable levels across regional markets. Monthly stocks data show May 2002 gasoline supplies were more than 6 percent higher than last year at this time, and approximately 1.3 percent higher than the April 2002 level. In response to thin margins, producers reduced refinery throughputs, which in turn cut demand for crude oil and helped foster lower prices for the product. Between runs cuts and maintenance on facilities, refinery utilization remained around 92 percent for most of the month. The May 2001 rate was more than 96 percent. A look at last year’s monthly average

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, “Refiners’ Monthly Cost Report”; petroleum product prices: Form EIA-782A, “Refiners’/Gas Plant Operators’ Monthly Petroleum Product Sales Report.”

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	May 2002		April 2002		May 2001		May 2002		April 2002		May 2001	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	99.9	65.0	100.4	64.4	130.1	63.2	85.7	325.6	86.8	315.7	115.5	304.8
Conventional	96.8	38.3	97.3	38.1	124.4	37.6	82.1	222.5	83.3	212.0	110.0	204.4
Regular	93.7	29.2	94.2	29.2	121.8	29.2	80.4	184.2	81.6	176.4	108.6	169.2
Midgrade	103.3	5.0	103.8	4.9	130.5	4.8	86.8	12.0	88.4	11.6	114.2	12.1
Premium	111.3	4.1	112.0	3.9	137.5	3.6	91.8	26.3	93.2	24.0	117.9	23.1
Oxygenated	100.5	2.0	102.4	1.9	136.3	1.7	88.7	7.4	90.8	7.3	123.7	7.0
Regular	98.1	1.6	100.1	1.5	133.9	1.5	87.7	5.8	89.8	5.7	122.2	5.6
Midgrade	106.8	0.2	108.5	0.2	146.2	0.2	88.2	1.1	91.0	1.0	128.3	0.9
Premium	116.3	0.2	117.4	0.1	154.1	0.1	99.7	0.5	101.8	0.5	132.9	0.4
Reformulated	104.6	24.8	105.1	24.5	138.5	23.9	93.8	95.7	94.3	96.4	126.9	93.3
Regular	100.6	17.7	101.4	17.6	134.9	17.5	90.7	71.8	91.3	72.9	124.1	71.6
Midgrade	111.2	3.5	111.7	3.5	144.9	3.4	101.8	7.9	102.7	7.8	133.5	7.7
Premium	118.3	3.5	117.6	3.4	152.1	3.0	103.7	16.0	104.0	15.7	137.8	14.1
Aviation Gasoline	137.1	0.1	133.4	0.1	146.5	0.2	113.4	1.0	116.5	0.8	147.8	0.7
Kerosene-Type Jet Fuel	70.8	48.4	70.0	50.0	84.0	53.6	69.9	11.2	69.5	12.1	83.5	13.0
Propane (Consumer Grade)	40.5	2.5	41.7	3.1	54.3	3.1	40.9	26.7	41.7	28.2	56.2	24.3
Kerosene	NA	NA	NA	0.1	94.1	0.1	68.5	1.3	69.9	1.5	86.6	1.1
No. 1 Distillate	83.8	0.2	82.8	0.2	98.3	0.2	79.4	0.3	80.0	0.4	105.3	0.2
No. 2 Distillate	74.9	23.9	74.9	24.4	92.7	26.3	70.2	123.8	70.4	122.9	88.8	117.2
No. 2 Fuel Oil	70.9	2.8	72.0	2.8	90.1	2.8	68.4	19.0	68.3	20.5	82.7	17.4
No. 2 Diesel Fuel	75.4	21.1	75.3	21.6	93.0	23.5	70.5	104.8	70.9	102.4	89.8	99.7
Low Sulfur	77.3	14.8	77.6	14.7	95.2	16.7	70.7	93.0	71.3	88.9	90.7	86.6
High Sulfur	71.0	6.3	70.1	6.9	87.4	6.8	68.7	11.8	68.0	13.4	84.1	13.2
No. 4 Fuel^a	64.6	0.2	66.1	0.3	66.8	0.3	64.5	0.0	66.6	0.1	64.6	0.1
Residual Fuel Oil	57.8	9.6	55.8	10.0	53.7	18.4	53.8	10.3	51.1	10.9	49.8	10.7
Sulfur Content not > 1 %	64.0	1.8	59.1	2.1	63.4	4.9	55.2	6.3	53.2	6.6	58.2	4.3
Sulfur Content > 1 %	56.5	7.8	55.0	7.9	50.1	13.5	51.7	4.0	47.8	4.3	44.2	6.4

NA = Not available.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

spot market prices at New York Harbor show a distinctly different atmosphere in the marketplace. Last year, the concern was over low supply levels, especially for gasoline. The price for regular gasoline averaged 92.2 cents per gallon one year ago, nearly 22 cents more than the average of 70.3 cents per gallon in May 2002. The average price for No. 2 heating oil was 77.2 cents per gallon last year, compared with 66.6 cents per gallon this year. Notably, due chiefly to the "war premium" on crude oil, the prices for West Texas Intermediate do not show the same disparity: \$27.04 per barrel in May 2002 and \$27.60 per barrel in May 2001.

Additional May market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma shifted from an upward mode to a declining one in May, rising sharply during the first half of the month in response to international political issues, then dropping firmly in the latter half due principally to fundamental market factors. Opening at \$27.32 per barrel, the price rose energetically as weekly stocks reports showed decreases in

supply levels. Following the peak of \$29.17 per barrel on May 14, the price began to slide and lost ground for the rest of the month. After reaching the low of \$24.78 per barrel on May 30, the price closed the month at \$25.37 per barrel, \$1.95 below its opening level.

- May monthly average prices for crude oil prices show small to moderate increases from April levels. The average domestic crude oil first purchase price rose 88.0 cents (4.0 percent), to \$23.02 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil inched up 5.0 cents (0.2 percent), to \$23.08 per barrel. The average landed cost of foreign crude oil increased 24.0 cents (1.0 percent), to \$24.41 per barrel.
- The average refiner acquisition cost for domestic crude oil rose \$1.51 (6.2 percent), to \$25.78 per barrel. The average cost of imported crude oil to U.S. refiners increased 42.0 cents (1.8 percent), to \$24.29 per barrel. The composite refiner acquisition cost for crude oil climbed 91.0 cents (3.8 percent), to \$24.94 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price during May for regular gasoline at New York Harbor rose in response to political matters in the Middle East during the initial weeks of the month. In the latter half of the month, the price declined as reports showing higher stock levels were released in addition to lean refining margins. Opening at 74.9 cents per gallon, the price rose gradually to its high of 72.9 cents per gallon on May 14. Following that point, the price entered a period of overall decline. After reaching the low of 66.9 cents per gallon on May 30, the price closed the month at 68.5 cents per gallon, 6.4 cents lower than where it began May.

- Reversing the upward trend seen during the last several months, national average gasoline prices show slight decreases in all categories in May. The average price for retail sales of motor gasoline by refiners declined 0.5 cent to 99.9 cents per gallon. The average wholesale price fell 1.1 cents to 85.7 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets decreased 0.7

cent to 99.0 cents per gallon. The average wholesale price dropped 1.0 cent to 85.7 cents per gallon. The average dealer tank wagon (DTW) price declined 0.6 cent to 92.0 cents per gallon, while the average rack price fell 1.1 cents to 84.2 cents per gallon. The average price for bulk sales dropped 1.4 cents to 75.1 cents per gallon. Reformulated gasoline (RFG) prices were 7.9 cents higher than conventional gasoline prices at retail, and 9.7 cents more at wholesale. Oxygenated gasoline prices were 4.9 cents higher than conventional gasoline prices at both the retail and wholesale levels.

- Refiner sales of gasoline increased again in May. Overall, sales climbed 10.5 million gallons per day (2.8 percent), to an average of 390.6 million gallons per day. Retail sales rose 600,000 gallons per day (0.9 percent), while wholesales increased 9.9 million gallons per day (3.1 percent). Rack sales accounted for 63.8 percent of wholesales, while DTW and bulk sales made up 20.6 percent and 15.5 percent, respectively. Reformulated gasoline accounted for 30.8 percent of total motor gasoline sales, while oxygenated gasoline made up 2.4 percent of sales.

No. 2 Distillate

With robust stockpiles and ebbing demand, the daily spot price for No. 2 heating oil at New York Harbor followed the general market trend, rising at the beginning of May then declining steadily during the latter part of the month. Opening at 68.7 cents per gallon, the price moved to the month's high, 70.9 cents per gallon, on May 14. The price declined at a steady pace after that, reaching the month's low of 62.2 cents per gallon on May 30. Closing at 63.0 cents per gallon, the price was 5.7 cents lower than where it started May.

- No. 2 distillate prices generally fell in May. The national average residential price for No. 2 distillate declined 2.5 cents to \$1.087 per gallon, while the average wholesale price dropped 0.2 cent to 70.8 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets barely changed, dropping 0.1 cent while the average No. 2 diesel fuel wholesale price decreased 0.3 cent. The difference between low- and high-sulfur diesel fuel prices was 1.1 cents at retail and 1.7 cents at wholesale.
- Sales of No. 2 distillate by refiners increased slightly in May. Total sales rose 400,000 gallons (0.3 percent), to 147.7 million gallons per day. Sales of No. 2 fuel oil fell 1.5 million gallons per day (6.4 percent), while sales of No. 2 diesel fuel increased 1.9 million gallons

per day (1.5 percent). Low-sulfur diesel fuel made up 85.6 percent of all refiner diesel fuel sales, and 73.0 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices rose across the board again in May. Prices for low-sulfur residual fuel oil increased 4.9 cents to 64.0 cents per gallon at retail, and 2.0 cents to 55.2 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil climbed 1.5 cents to 56.5 cents per gallon, while the wholesale price rose 3.9 cents to 51.7 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price increased 2.4 cents to 60.9 cents per gallon at retail, and by 1.8 cents to 55.4 cents per gallon at wholesale. The price for high-sulfur residual fuel oil increased 1.0 cent to 55.7 cents per gallon at retail, and 3.0 cents to 52.0 cents per gallon at wholesale.
- Total refiner sales of residual fuel oil declined in May. Overall, sales fell 1.0 million gallons per day (4.8 percent) to 19.9 million gallons per day.

Low-sulfur residual fuel sales declined 600,000 gallons per day (6.9 percent), while high-sulfur residual fuel oil sales decreased 400,000 gallons per day (3.3 percent).

Other Products

- Price trends for other petroleum products were mixed in May. Refiner propane prices decreased 1.2 cents per gallon at retail, and 0.8 cent per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price inched up 0.6 cent per gallon, while the average retail price fell 1.2 cents. The average wholesale price decreased 1.0 cent. Prices for kerosene-type jet fuel rose at both levels while No. 4 distillate prices did just the opposite. Aviation gasoline and No. 1 distillate prices rose at retail but fell at wholesale. The price for kerosene dropped at wholesale.
- With the exception of aviation gasoline, refiner sales of these products declined in May. Sales of propane, kerosene-type jet fuel, No. 1 distillate, and No. 4 distillate decreased at both the retail and wholesale levels. Sales of kerosene declined at wholesale.